BRIEF TO THE HOUSE OF COMMONS STANDING COMMITTEE ON TRANSPORT

FROM THE

FEDERATION OF CANADIAN MUNICIPALITIES

ON THE FUTURE OF PASSENGER RAIL SERVICE IN CANADA

October 19, 1989

40988

THE FEDERATION OF CANADIAN MUNICIPALITIES

The Federation of Canadian Municipalities counts among its members 550 local governments from all provinces and territories of Canada. The combined population of these members represents 70% of Canada's total. In addition, all major provincial and territorial municipal associations are members. Almost all municipalities serviced by VIA Rail services are FCM members.

Transportation issues of all kinds are a prime concern to Canada's local governments. All orders of government in Canada are vested with particular responsibilities to ensure the efficient movement of people and goods throughout the country and our communities. Since the beginning of our history, the federal government has understood that necessity and has ensured that the national rail passenger system represents more than a business undertaking.

It is because VIA Rail services are in jeopardy that municipal leaders attending FCM's 1989 Annual Conference in Vancouver, held an emergency debate on the subject. In a rare expression of unanimity, all 1,200 delegates called upon the Government of Canada to impose a moratorium on current and future discontinuations of rail service.

The Government's recent handling of the VIA Rail issue raises many matters which are of profound concern to all Canadians including issues respecting the integrity and accountability of government itself, the environmental future of our planet, the health and safety of Canadians, the erosion of Canada's national transportation network, and last, but certainly not least, the future of VIA Rail. Our brief will treat each of these in turn.

We will argue that a rail passenger transportation system is an essential part of Canada's future transportation network, and that the recent decisions of the Government of Canada were improvised, ad hoc and externally motivated and must be reversed immediately before implementation begins. By cutting VIA by 50%, the government has inflicted a serious wound on the critical mass required to support a national passenger rail system. The fact that a Royal Commission has been called is indicative of the information vacuum surrounding the government's actions regarding Canada's national transportation system.

THE PROCESS AND INTEGRITY OF THE GOVERNMENT

When the previous Liberal government acted by Order-in-Council to terminate certain VIA routes, members of the current government including the current Deputy Prime Minister, soundly condemned those actions as a violation of the democratic process, as a disservice to Canadians and a contradiction of our notion of open government. In the 1984 election campaign, the Progressive Conservative Party promised to restore VIA services and to develop a modern and viable rail passenger network serving even more Canadians.

Now, by decree of Cabinet, without public consultation and in violation of its undertakings, the Government of Prime Minister Mulroney is, itself destroying our rail passenger network. Remarkably, the extent of its violation of VIA exceeds that of its predecessor.

Even more troubling than the discontinuation of passenger services is the dishonesty and cynicism characteristic of the process. How can Canadians place confidence in their political leaders whose word is of no value, whose sacred commitments are no more than political conveniences and whose statements are belied by contradictory actions?

THE FUTURE OF OUR GLOBAL ENVIRONMENT

On no other question are Canadians more preoccupied than on the future of our global environment. In this context, Canadians took great heart in the recent commitment of the Minister of the Environment, Lucien Bouchard, that environmental matters would be considered in all government decisions and that environmental considerations would win out over purely economic questions.

The so-called "environmental assessment" released by the Minister of Transport on the VIA Rail cuts has been charitably described by one editorial writer as a "sham". (1) It has all the appearances of being hastily prepared to meet political and perhaps, statutory requirements. (2) Its assumptions are completely without substance. We ask ourselves if the Department of Transport consulted with the Department of the Environment on this study to ensure that stringent environmental criteria have been applied and that the study is based on scientific methodology.

The impact study would have us believe, for example, that 116,000 new air passengers and 152,000 new bus passengers would be accommodated through "excess capacity" and that no new flights or bus trips would be needed. (3) But the study does not consider at what time of day excess capacity occurs and whether it would in fact meet the time requirements of displaced VIA passengers. Other aspects of the research are equally flawed and VIA's report Review '89 warns of the potential negative impact on the environment. (4)

We witnessed the Prime Minister's appeals last week to our American friends in Los Angeles for cuts in emissions causing acid rain. The Transport Minister's environmental assessment informs us that since the <u>increases</u> in various harmful emissions will be relatively small in

percentage terms, then there is no cause for alarm. (5) We wonder how our government can demand that our American friends decrease their emissions by 50% when it argues that Canadian actions which cause increases are acceptable, because the increases are not that great.

Perhaps the Government of Canada has not heard that acid rain is killing our lakes, eroding our buildings, strangling our forests and ruining our maple sugar industry. Our fragile environment cannot tolerate any increases whatsoever to emissions causing acid rain. The environmentalists say that we must cut emissions. We had not heard that it was tolerable to increase them providing those percentages fall within certain ranges.

Despite the Minister of the Environment's claims to the contrary, it appears that the Government of Canada has failed to understand the environmental crisis affecting our globe. For its actions regarding VIA will seriously erode the most environmentally benign form of passenger transportation. In its place Canadians will drive their cars more frequently and greater distances, take more airplane trips and use buses to a greater degree. (6) Each of these modes of transport is much more harmful to the environment.

To describe this remarkably flimsy environmental assessment of VIA cutbacks as a sham is charitable. It might be better described as a fraud.

THE HEALTH AND SAFETY OF CANADIANS

Road Fatalities

Government estimates suggest that road traffic will increase by 1.3% as a result of VIA cutbacks. Accepting these artificially low estimates,

given the current level of traffic fatalities of approximately 4,211 per year over the five years from 1983 to 1987 and excluding any increase in the accident rate which will result from heavier highway usage, at least 55 more Canadians will perish on our roads and traffic accident injuries would increase by 3,300. (7) Because these intercity trips will lead to increased use of the automobile in urban areas, the number of fatalities and injuries could even surpass these figures. Use of the private automobile in destination cities which are large urban centres is in direct competition with their public transit systems.

An enhanced VIA network would have the reverse effect. Increased VIA services would diminish the usage of highways and therefore decrease both the accident rate and the absolute number of fatalities. Literally hundreds of lives and thousands of injuries would be prevented if the government made good on its earlier commitments on a modernized and enhanced VIA network. Passenger rail service is the safest form of passenger transportation.

Air Quality

There are other related health issues. Auto exhaust emissions are unhealthful, especially in the high concentrations found in our urban areas. The erosion of VIA Rail will increase cardiopulmonary disease among Canadians, cancer rates, congenital deformities, infant mortalities and so forth. While it is difficult to document precise statistics, we know the implications of a deteriorating environment. We know that all pollution is bad. We know that humans are at risk. Let us not pretend that these outcomes will not occur.

Service to Disabled Canadians

Disabled Canadians will be done great harm by the discontinuation of VIA services. Trains are vastly more convenient than airplanes and buses for the users of wheelchairs. And what about the countless Canadians living in rural centers or in hinterland areas who use medical services in urban areas? Thousands use VIA for access to medical services not otherwise available. Many are elderly Canadians unable to drive. How are these services to be made up? In cutting VIA Rail, the government is taking away a transportation service that is required to be fully accessible, unlike inter-city buses. Basing performance strictly on financial terms, ignores the other benefits to this constituency -- namely equal access to transportation.

VIA AND THE DEFICIT

Economic and Social Impact Ignored

In various meetings with municipal officials, the Minister of Transport has made it clear he was given marching orders by the Minister of Finance to cut VIA's budget. The decision to cut VIA was, the Government has clearly said, a decision about dollars alone. Despite the fact the **Review 89** urged that a comprehensive analysis of VIA services in relation to other modes, social and economic costs and benefits be done, the government has failed to undertake such an analysis.

Serious consideration is not being given to the impact on the finances of provincial and municipal governments. It will cost provinces and municipalities millions to maintain or to build highways to accommodate the increased traffic and the increased wear and tear on our highways that heavy vehicles, including buses so seriously inflict. (8)

The federal government is responsible for rail transportation in all of its aspects including passenger rail. It cannot abrogate that responsibility because the Minister of Finance says it must. The funds must be found.

Not a lot of money is at stake. We must keep the VIA budget in proportion. The $106 million savings on VIA Rail for 1990-91 will reduce the annual deficit by 0.38% and annual government spending by 0.074%. (9) These relatively small savings are not the sort of thing that deficit reduction is all about.

VIA cuts will more likely increase the government deficit. Adding extra vehicles to our already jammed highways, particularly around our major cities, will further erode the efficiency of our road system, increase costs and render our economy less competitive. The provinces and municipalities alike will necessarily increase spending on roads to upgrade and expand over-crowded and crumbling facilities, thus further dampening the economy through extra taxes.

An example of a social cost/benefit study which we urge the federal government to initiate is the "Social Cost/Benefit Study" undertaken by C.D. Foster suburban railway services in Britain. (10).

Effectively, Canada is exchanging an inherently efficient mode of passenger transportation for more expensive less efficient modes. Far from cutting back VIA Rail as an expenditure reduction exercise, the government should enhance its contribution to VIA, thereby making the economy more efficient, more productive, more internationally competitive and in turn generating more tax revenues to reduce the deficit. There is simply no economy in cutting essential public services.

Government Involvement in Public Transportation

Municipalities operate hundreds of urban transit systems all of which are subsidized. Why do we subsidize transit? Because without transit, our urban economies would not function; our roads would be totally congested; people would not get to work and goods would not arrive at markets. The cost of running cities without transit would increase exponentially. The same effects are true with VIA Rail.

Other countries understand this. All over the world, passenger rail services are being developed and enhanced by governments, not diminished. (11) Only Canada has embarked upon a narrow and destructive course of cutting back.

Of all modes of passenger transportation, air may be the least subsidized. But the cost of air tickets is beyond the reach of most Canadians and the energy and pollution consequences are staggering. Bus routes are viable only because they are enormously subsidized by provinces and municipalities which provide, free of charge, the roads on which the buses operate. It is only rail for which the government seems to demand financial self sufficiency.

But the government's position is ambivalent. The Minister of Transport is moving to end subsidies on those lines which are less profitable, but for those lines that are more profitable, he wishes to hand them over to the private sector. (12) In an integrated system some lines may be profitable and others may lose money, but the former support the latter and the latter provide the passengers to the profitable lines. The proposal to sell off profitable routes to the private sector would be the death of VIA services everywhere.

OPERATING VIA EFFICIENTLY

VIA's Management

There is whole range of opportunities available to cut VIA's operating subsidies without compromising service. (13) A first step would be to review VIA's management structure which, when compared with other rail passenger carriers, is top heavy. The appointment of the best available managers at the highest levels in VIA is a requisite first step.

VIA must operate at arm's length from government. All too often decisions are not made by VIA itself but by meddling politicians whose motives often have little to do with efficiency or rail operations. For example, in cutting transcontinental service, the southerly route which carried many more passengers and operated more profitably was sacrificed in favour of a route which passed through the ridings of two of the most senior members of the Cabinet. We are not pointing fingers. We are simply saying that VIA decisions are taken and have been taken for political motives rather than management motives.

VIA needs more autonomy. It must have its own act which would provide for an independent board of directors and management, greater control over payments to the railways and authority to carry mail, express and motor vehicles.

VIA Service

VIA, as all other viable business enterprises, must be thoughtful about its treatment of its clients. Recent scandalous incidents have highlighted the catastrophic low morale suffered by VIA employees who operate with no security for their future. Low morale often means poor treatment of customers.

But other aspects of VIA's poor service are a direct result of management decisions. Through the spring and summer of 1989, VIA phones simply weren't answered in many centers. Efforts by the FCM to bring its Directors to Ottawa by train failed when the phones went unanswered for extended periods. The reservation system for coach passengers was eliminated, thereby alienating current and future customers. We believe that VIA should be directed to expand the capacity of its reservation system to allow for seat selection in order to alleviate the long waits or queuing problems of coach passengers at major stations during peak travel times.

Tapping New Markets

VIA needs to undergo a marketing plan involving aggressive efforts to tap into the business travellers market by offering courteous, comfortable and on-time service. Critical trains to attract business travel are the early morning arrivals in major centres. We are extremely concerned that trains such as London on the south mainline 622 and on the north mainline 660, from Peterborough 187 and from Kingston 651 which are used for business travel are being eliminated. Early morning arrivals and evening departures are necessary to accommodate the needs of the business traveller. The FCM, in earlier submissions, has called for VIA to expand services from regional to urban centres. Unfortunately, the government fails to recognize that such expansion would make VIA more viable.

VIA should also understand that the aging population throughout the industrialized world represents a growing tourist market consisting of travellers with more time and for which rail travel would have a greater

appeal. The tourist market is there to be captured which will not only ensure the future of VIA Rail, but contribute three or four fold the price of train ticket to the economy.

New Equipment

VIA's equipment has been inadequate for far too long. While some modest improvements had been made, particularly with the provision of new locomotives, the re-equipment has fallen far short of real needs. The LRC's operating in the corridors are now ten years old and should be relegated to secondary service. New equipment must be provided for front line service. The rest of the system is operated using self propelled diesel cars or steam heated cars over 40 years old. While there have been overhauls and updates, this aged equipment is expensive to maintain and subject to random failure. Only complete reconstruction or preferably replacement will make VIA work. VIA can no more operate an efficient and desirable service with the equipment it now has then could Air Canada conduct its operations with fleet of DC-3's.

Pricing Policies

Finally VIA's efforts at offering a better price than bus service are misguided. Canadians are prepared to pay for quality, comfort and efficiency. VIA's fares have been unrealistically low. Rail passenger service is much more comfortable and relaxing than bus service, a fact which should be reflected in the fare schedule.

VIA should be allowed to practice price discrimination in order to maximize revenues, much like the way airlines do. On some flights, the

lowest price charged for some seats is as low as 20% of the high price charged for other seats.

RIDERSHIP

Given all of the factors discouraging the use of VIA, it is surprising that the network has any riders at all. But in fact, over the past two years ridership has increased significantly. (14) There are several compelling reasons. With new locomotives reliability has increased. The international community has discovered some of our tourist routes which now operate at full capacity all of the summer season. More Canadians are taking the train because highways and airports are congested and unreliable. One can no longer count on driving, flying or busing into any of our major cities and arriving on time. The train is now the best bet.

While the Minister of Transport has emphasized the decrease in ridership over the past decade, the experience of the past two years is telling. With continued effort, ridership would continue to increase, particularly if other aspects of system management above were brought up to an acceptable standard. Unfortunately, with the existing equipment, ridership cannot be increased during peak periods because there is no capacity to carry all of the passengers on offer.

On certain routes, for example the Peterborough to Toronto regional route, ridership is predicted to increase 50% over the next twenty-years. (15) Similar GO Transit routes are expected to grow by a minimum of 160% and five to ten fold maximium in the same time period. We believe the ridership estimates in **Review 89** are too low on this route and other routes.

What VIA has needed for far too long is leadership and

commitment. These were the forces which reversed the fortunes of Canada Post Corporation. This is what saved Amtrak in the United States.

CONCLUSION

To summarize, the cutting of VIA Rail has hidden costs which will prove to be greater than the savings earned. Its impact on the economy and social fabric of our nation has yet to be fully understood. Municipal governments have limited sources of revenue and to transfer the burden of the country's deficit onto our shoulders is unfair. The federal government must assume its responsibilities for a national transportation network which binds the country together rather than tearing it apart.

RECOMMENDATIONS

We urge the Government of Canada to:

1. Declare an immediate moratorium on cutbacks on VIA Rail until December 31, 1990, in order that a comprehensive economic and social cost/benefit analysis be undertaken to demonstrate the impact of cutting, saving or expanding VIA Rail and to allow time for interested parties to propose and implement alternative transportation services.

2. Direct the House of Commons Standing Committee on Transport to conduct cross-Canada hearings of in order that many rural municipalities may be heard; and pursuant to Section 260(6) of the Railway Act, to request the National Transportation Agency to hold similar hearings in those municipalities affected by VIA Rail cuts to ensure that all matters of public interest are studied.

3. Reduce immediately VIA Rail's administration to at least a ratio of 1 to 10, management to employees. This ratio is currently more than twice AMTRAK's operation which runs the entire United States rail passenger system.

4. Appoint new leadership to VIA Rail bringing to bear the best talent available in Canada or elsewhere.

5. Direct VIA to acquire Canadian-built locomotives and new higher passenger capacity coaches thereby increasing revenues per car and reducing per car maintenance costs and the size of the fleet.

6. Direct VIA to pursue aggressively the business community along the Quebec City-Windsor corridor, in order to generate increased sales and revenues.

7. Introduce legislation which would confer on VIA a new mandate, an independent Board of Directors and Management, and authority for the transport of commodities such as regular and express mail and motor vehicles.

8. Release VIA's five-year business plan under review prior to the announcements of cuts in subsidies in last April's federal budget, as well as the five-year plan submitted to the Minister subsequent to the budget.

9. Maintain all surplus equipment and tracks which were used to provide passenger service, until such time as the Royal Commission has reported and action on the report has been undertaken by the federal government.

References

(1) The Ottawa Citizen, Saturday, October 14, 1989, Editorial Page

(2) Environmental Assessment Review Process (EARP) provides for, through an Order-in-Council, a environmental impact study on projects which fall within federal jurisdiction, e.g., waterways, dams, and park lands.

(3) Changes to the VIA Network: Potential Environmental Impact, Transport Canada, October 1989, page 3.

(4) Review of Passenger Rail Transportation in Canada, Via Rail Inc., July 1989, page 110.

(5) Ibid (3), page 4.

(6) Ibid (4), page 110.

(7) Road Safety Annual Report 1987

(8) Ibid (4), Introduction, pages 99 and 107.

(9) $106 million/$28 billion = .0038
(Savings in VIA subsidies divided by the annual federal deficit.)

$106 million/$148.8 billion = .0074
(Savings in VIA subsidies divided by the annual federal expenditures.)

(10) Report on a Social Cost/Benefit Study of the Manchester (Piccadilly)-Hadfield/Glossop and Machester (Piccadilly)-Marple/New Mills Suburban Railway Services by C.D. Foster.

(11) Ibid (4), page 16.

(12) Third Party Transfer, Transport Canada Release 120/89.

(13) Ibid (4), page 5. "If the current services are continued, improvements in operations and increased revenues would lead to a reduction of 35% in the annual subsidy required."

(14) VIA Rail Fact Sheet 1980-1988, Transport Canada Release, 120/89.

(15) Ibid (4), page 86.